

INTRODUCTION

The Board of Directors (“BOD”) and Management of Zecon Group (i.e. Zecon Berhad and its subsidiaries) understands the importance of sustaining our businesses in the long run, where we carry out our businesses in a sustainable and responsible manner, managing our economic, environmental and social impacts to enhance business resilience and performance.

We embedded sustainability opportunities and risks into business strategic direction, and through processes and measures based on global best practices and strategic collaborations, the Group’s Sustainability aims to increase competitiveness and cultivate a sustainability lifestyle for its people and stakeholders.

ABOUT THIS STATEMENT

This Sustainability Statement has been prepared in accordance with Paragraph 29, Part A of Appendix 9C and Practice Note 9 of Bursa Malaysia Securities Berhad (“Bursa”)’s Main Market Listing Requirements (“Listing Requirements”), and has also considered the Sustainability Reporting Guide 3rd Edition and its accompanying Toolkits published by Bursa.

This Statement provides an overview of our approach, targets, and performance on the Group’s economic, environmental and social impacts (“EES” or collectively known as “Material Sustainability Matters” or “MSM”), and how they are managed to strive towards achieving our business objectives sustainably and responsibly.

SCOPE

The Statement covers our core business operations across all entities in all locations, which accounts to 99.8% of the Group’s total revenue and has the biggest overall EES impact, details of which are as follows:

Business operations	Details of business operations	Name of company/ subsidiaries	Operating locations	No. of employees
Construction	Constructing buildings and infrastructures	<ul style="list-style-type: none"> • Zecon Berhad • Zecon Construction Services Sdn Bhd • Zecon Construction (Sarawak) Sdn Bhd 	<ul style="list-style-type: none"> • Kuching • Kuala Lumpur 	88
Property development	Development of residential housing and mixed development	<ul style="list-style-type: none"> • Zecon Land Sdn Bhd 	<ul style="list-style-type: none"> • Kuching 	2
Healthcare concession	Facilities management services	<ul style="list-style-type: none"> • Zecon Medicare Sdn Bhd • ServeCo Sdn Bhd 	<ul style="list-style-type: none"> • Kuala Lumpur 	90

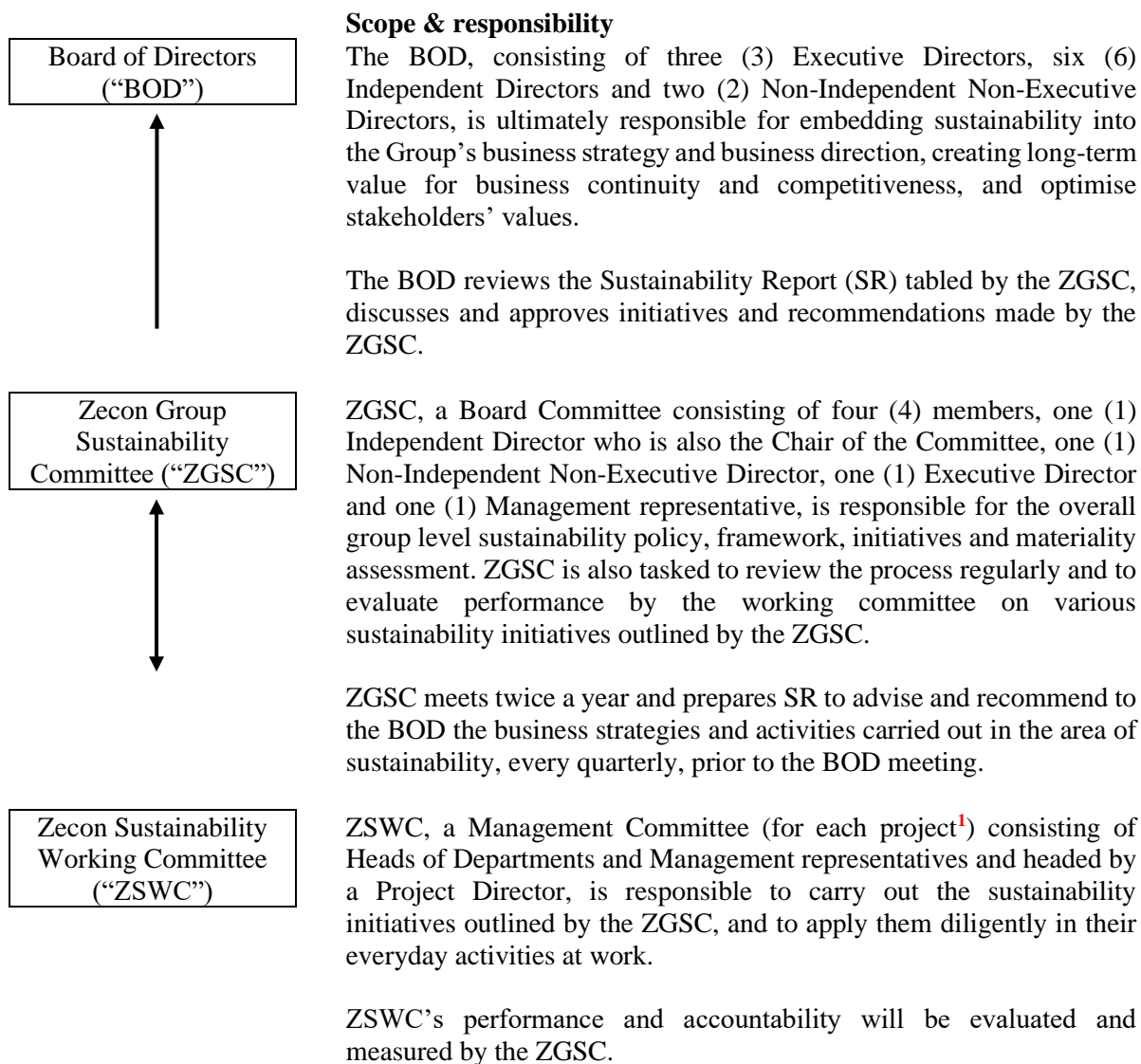
The years referred to in this Statement are as follows:

Year	Coverage/ information
2020	Calendar year 2020 (i.e. 1 January 2020 to 31 December 2020) (“CY2020” or “year 2020”)
2021	Calendar year 2021 (i.e. 1 January 2021 to 31 December 2021) (“CY2021” or “year 2021”)
2022	Financial year 2022 (i.e. 1 January 2022 to 31 December 2022) (“FY2022” or “year 2022”)

Note: the years 2020 and 2021 used were calendar years instead of financial years for a more accurate representation and comparison against year 2022, due to the change of financial year for year 2020

GOVERNANCE STRUCTURE

To effectively practice, manage and oversee sustainability efforts and impacts within the Group, we have established a governance structure and reporting line which involves the cooperation of the BOD and Management Team as follows:



Note¹: The ZSWC is established for each project, active when the project is ongoing and will be dissolved upon conclusion of the project

STAKEHOLDER ENGAGEMENT

In order to effectively understand sustainability matters concerning the Group, we have engaged with our stakeholders, to understand matters concerning them, as well as communicating relevant information to the stakeholders for informed decision making.

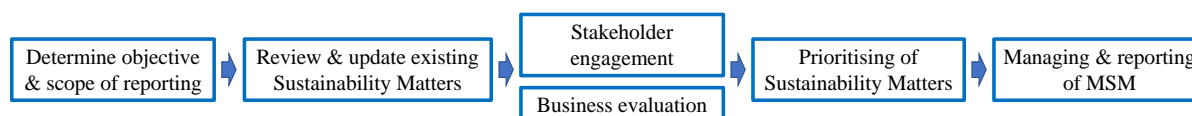
During the financial year under review, we have performed stakeholder assessment and engaged with the identified key stakeholders through and on the following:

Stakeholders	Areas of concern/ key discussion topics	Method of engagement	Frequency of engagement
Employee	<ul style="list-style-type: none"> Occupational safety and health Talent management and labour practices Business ethics 	<ul style="list-style-type: none"> Induction training Learning and development programmes Performance appraisal 	<ul style="list-style-type: none"> As needed Throughout the year Annual
Regulators and authorities	<ul style="list-style-type: none"> Business ethics Occupational safety and health Environmental management Labour practices 	<ul style="list-style-type: none"> Certificate renewal process Audits and joint-inspection 	<ul style="list-style-type: none"> As needed/ annually As needed
Sub-contractors	<ul style="list-style-type: none"> Occupational safety and health Building technology Social impact of products and services Environmental management Quality, timeliness and pricing of products and services 	<ul style="list-style-type: none"> Site meeting Performance evaluation Face-to-face discussion/ briefing Training 	<ul style="list-style-type: none"> Monthly & weekly Annually Daily Periodic
Hospital owners – HPPK UKM	<ul style="list-style-type: none"> Environmental management Occupational safety and health Emission management Preservation of water 	<ul style="list-style-type: none"> Performance appraisal Joint-inspection 	<ul style="list-style-type: none"> Monthly Monthly
Bankers	<ul style="list-style-type: none"> Business ethics Environmental management 	<ul style="list-style-type: none"> Meeting and discussion Site visits 	<ul style="list-style-type: none"> As needed Periodic

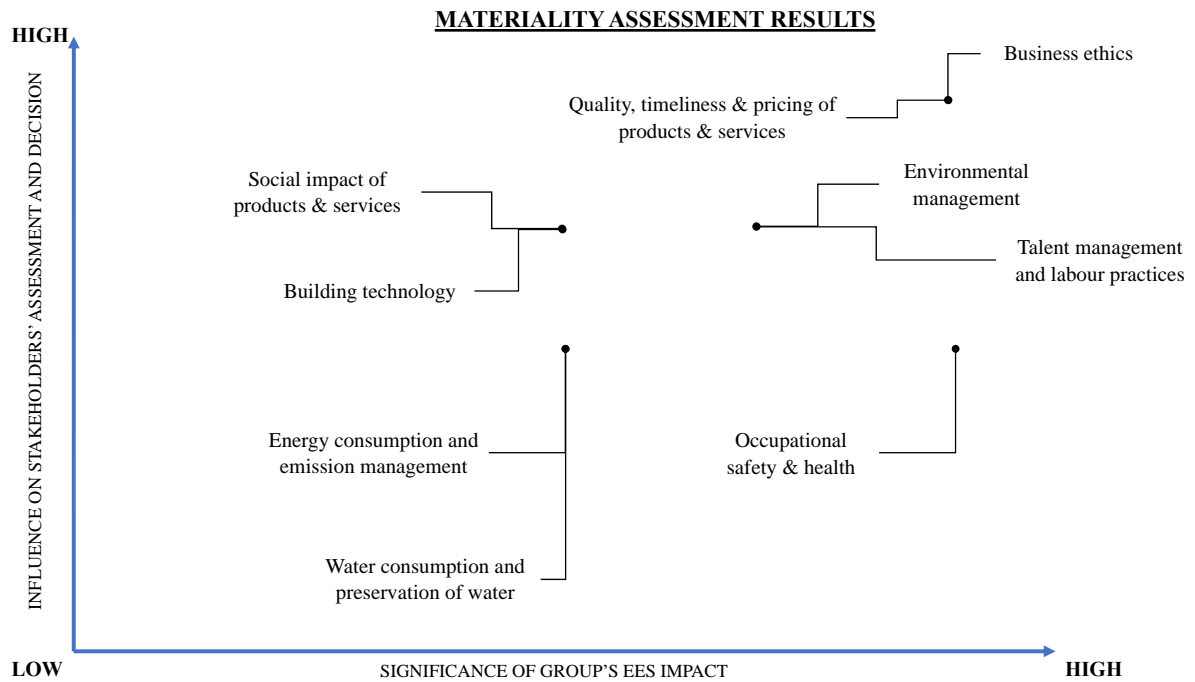
MATERIALITY ASSESSMENT

The Group has previously performed the materiality assessment by identifying, assessing and prioritising sustainability matters considered material with the objective of understanding and managing these MSM.

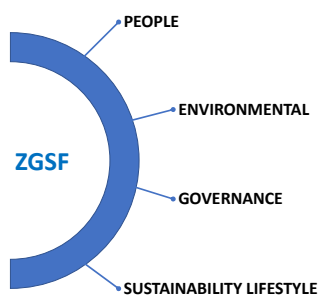
The assessment is guided by the materiality process consistent with Bursa’s Sustainability Reporting Guide, and taken into consideration the views and concerns of the Group’s key stakeholders identified. The materiality assessment process is summarised as follows:



During the financial year under review, the Group has undertaken a limited review of MSM identified, where the MSM remained unchanged as depicted below:



The MSM identified above were also in line with our Group’s Sustainability Framework (“ZGSF”) as follows:



Category	Description	Relevant MSM
People	Focusing on employee’s welfare, safety and health and practice inclusivity	<ul style="list-style-type: none"> • Social impact of products & services • Occupational safety and health • Talent management and labour practices
Environmental	Enhance climate awareness & management to minimise negative impact	<ul style="list-style-type: none"> • Environmental management • Energy consumption and emission management • Water consumption and preservation of water
Governance	Establish governance and policies in managing the Group’s EES opportunities and risks through best practices	<ul style="list-style-type: none"> • Business ethics
Sustainability lifestyle	Advocating sustainability culture for our people and stakeholders	<ul style="list-style-type: none"> • Quality, timeliness & pricing of products & services • Building technology • Social impact of products & services • Occupational safety and health • Talent management and labour practices • Environmental management • Energy consumption and emission management • Water consumption and preservation of water • Business ethics

MATERIAL SUSTAINABILITY MATTERS

Occupational safety and health

Property and construction division

Operating in the construction and property development sectors, we recognise that our business has an inherently significant safety and health risks on the Group’s stakeholders such as employees and workers. It is one of the Group’s key objectives to establish a safe working environment for our workers and the communities we operate, in order to achieve the Group’s aim of zero accident cases at our worksites.

The Group has established a group-level Environmental, Health & Safety Policy (“EHS Policy”) in accordance with ISO 14001:2015 and ISO 45001:2018 which guide the principles for all health and safety practices of the Group’s operations, with an added focus on project sites. The Group takes compliance with relevant law, rules and regulations relating to environmental and social matters seriously and has incorporated key compliance requirements in the Group’s EHS Policy. The Group is also required to comply with laws and/or regulations such as those imposed by the Construction Industry Development Board (“CIDB”), Department of Occupational Safety and Health (“DOSH”), Department of Environment (“DOE”) and Natural Resources and Environmental Board, to name a few. The Group has in place processes to ensure compliance so as to obtain the relevant certificates of compliance from these authorities to be able to continue operations.

The Group’s Management System on Health and Safety has obtained ISO 45001:2018 (valid until December 2023) – Occupational Health and Safety Management Systems and forms part of the Group’s Integrated Management System (“IMS”) which comprises ISO 9001:2015 (valid until August 2024) – Quality Management Systems, and ISO 14001:2015 (valid until December 2023) – Environmental Management Systems.

Each of the Group’s projects is monitored by the respective Safety and Health Committee (“SHC”) which is responsible to oversee the project’s management of health and safety risk and practices. The SHC reviews safety and health procedures, investigates any complaints or related matters raised, and holds regular discussions with employees and workers on issues relating to workplace safety and health.

Health, Safety, Security and Environment (“HSSE”) Officers who assist the SHCs in monitoring adherence to the Group’s EHS Policy and relevant guidelines by employees and workers. The HSSE Officers conduct frequent site visits to observe site conditions and construction process and work together with the on-site Project Manager in addressing any health and safety concerns include the following measures:

- performance of Hazard Identification, Risk Assessment and Risk Control (“HIRARC”) and appropriate safety plans where necessary;
- provision of appropriate personal protective equipment to employees and workers;
- zoning practices (e.g. green zone and red zone) that manage or prohibits public access at construction sites which are close to the public;
- traffic management plans are devised for construction sites within proximity of traffic to ensure safety of the public and the construction sites;
- establishment of an Emergency Response Team; and
- periodic safety training is provided to employees and workers to instil awareness on workplace safety.

For the past three (3) years, there were no serious injury cases or fatalities, nor fines by authorities, reported for the Group’s operations and activities within the scope of this Statement.

Healthcare concession division

Zecon Group has in May 2015, commenced the project of developing the Hospital Pakar Kanak–Kanak Universiti Kebangsaan Malaysia (“HPKK UKM”), on a Build, Lease, Maintain and Transfer (“BLMT”) concept. This project, a Green Building Index (“GBI”) certified Non-Residential New Construction (“NRNC”) building, was completed and handed over in December 2020. Through the BLMT arrangement, Zecon Group, through its subsidiary in Zecon Medicare Sdn Bhd (“ZMSB”) is currently responsible in maintaining the facilities of HPKK UKM.

To ensure the safety and health of users and general public in HPKK UKM, ZMSB is responsible for the following:

Category	Summary of tasks
Complying with statutory requirements and standards	<ul style="list-style-type: none"> • To obtain and ensure validity of the fire certificates, license for lifts, machines, boilers, pressurised equipment, diesel for genset, and chemicals used; and • To ensure air quality within safe limits, which will be inspected by a Certified DOSH Assessor on a yearly basis.
Patient safety	<ul style="list-style-type: none"> • To perform routine inspection on cooling tower on water hardness, algae, and legionella; • To perform frequent inspection on operation theatre ventilation requirements, covering air change per hour, pressure and humidity; • To ensure all rooms meet minimum air change per hour; • To perform surveillance on indoor air quality at critical areas; • To store a predetermined amount of water supply, perform routine inspection on algae and drinking water test according to Ministry of Health (“MOH”)’s requirements; • To store a predetermined amount of diesel for genset; • Ensure genset is connected to essential systems; • Ensure uninterrupted power supply is connected to life support machines; and • Systematically manage energy usage, to attain the Energy Management Gold Standard (“EMGS”) [a recognition given under the ASEAN Energy Management Scheme (“AEMAS”)] within five (5) years of operation and appoint a Certified Energy Manager to lead our energy management initiatives.

The abovementioned scope of work will be measured and inspected by the hospital owners, and failure to achieve the performance indicators will result in a deduction of fee paid to Zecon. The practice commenced effective January 2022 and throughout the year 2022, there were little to no deductions imposed to Zecon.

Further to the health and safety of the users and general public mentioned above, Zecon Group has also placed high importance to the health and safety of our employees. ZMSB has established a Safety and Health Committee, led by the Head of Asset and Facilities Management, where the Secretary and Safety Officer of the Committee is a Green Book holder. The Committee conducts quarterly meeting to discuss on health and safety of our staff, and establishes action plans to address any gaps, where relevant.

In the day-to-day operations at HPKK, our healthcare workers may handle biological samples and/or potentially hazardous micro-organisms. To protect our workers and/ or prevent contamination, we have a number of Biohazard Safety Cabinets and Laminar Flow Cabinet, in which all were calibrated timely and certified with the relevant standards in NSF 49:2019 Standard, IEST-RP-CC002.3 by the Institute of Environmental Sciences and Technology and ISO 14644-1 on Cleanrooms and associated controlled environments.

To adequately record incidence occurred and the formulation of action plans to address the incident and prevent from future occurrence, the Group has established an Incident Investigation and Reporting Procedure, consisting amongst others, the following key information:

- definition and classification of incident and accident;
- persons involved, the reporting structure and responsibilities of these personnel;
- reporting and incident/accident management procedures (including data gathering, root cause analysis, establishment of corrective and preventive actions, monitoring and reviewing actions for effectiveness, and accident reporting); and
- template/documentation to be used for recording/reporting.

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To effectively address emergency situations if it arises, ZMSB, together with HPKK UKM, have jointly developed and established an Emergency Response Plan (“ERP”), to provide a systematic and holistic approach towards managing emergency situations, including safeguarding of all personnel and assets of HPKK UKM, and reducing the psychological impact on victims, relatives, staff, and patients. The ERP consists amongst others, the following key information:

- definition and classification of emergency;
- the ERT Team (currently consisting of both personnel of ZMSB and HPKK and led by the Head of Asset and Facilities Management), reporting structure and responsibilities of the team;
- ERP process implementation procedures;
- mitigation and preparedness procedures;
- emergency response mechanism;
- recovery procedures; and
- template/documentation to be used for recording/reporting.

For the financial year under review, there were no serious injury cases or fatalities (excluding patients of HPKK), nor fines by authorities, reported for the Group’s operations and activities within the scope of this Statement.

Group

The Health, Safety and Environment related training attended by our staff by employee categories are as follows:

Employee category	CY2020		CY2021		FY2022	
	Hours	Person	Hours	Person	Hours	Person
General Manager	0	0	0	0	79	10
Manager	0	0	0	0	65	8
Executive and supporting	0	0	42	3	714	60
Total hours	0	0	42	3	858	78

As the country and economy is in the process of recovery from the COVID-19 pandemic, loosening the Standard Operating Procedures gradually from CY2020 to FY2022, which includes easing the movement restrictions, the Group has also gradually increased the training for staff in relation to Health, Safety and Environment, as evident by the data above.

Quality, Timeliness and Pricing of Products and Services

Dedicated to providing excellent engineering and construction services, Zecon Group places quality and timely delivery of its services as a vital element in driving business sustainability. The Group endeavours to ensure its construction and property development projects are delivered in accordance with the agreed and promised standards and quality in a timely manner. The Group believes that the delivery of value in its works helps enhance key customers’ confidence in the Group’s brand name and thus is able to attract, retain and grow its customer base.

In order to maintain the quality of its services, the Group has established standard operating procedures (SOP) for quality management system in accordance with, and certified by, ISO 9001:2015 which forms part of the Group’s IMS. The Group’s Construction and Property Divisions conduct stringent quality checks at all stages of construction and completion of their projects to ensure works at each stage are done in accordance with specifications. In this regard, the Group is supported by Project Directors and Construction Managers who are conversant with relevant industry requirements and possess vast experience on top of their qualification. The Group’s collaboration with established developers and contractors with proven track records in the form of consortium and partnership shows the commitment to deliver the best quality products and services.

In view of preparation for the delivery of asset and facilities management service under the government concession contract for Children Specialist Hospital, University Kebangsaan Malaysia, the Group also incorporates IMS principles and practices into the operations of its Service Concession Division. This will include regular monitoring of service quality and effective communication between the management company and the user to facilitate timely resolution of issues or actions required.

The Group's emphasis on timely delivery of its projects helps to win customers' trust in its construction works and development projects. On a monthly basis, the Project Management Committee of each of the Group's projects meets to update and discuss on project progress, such as timeliness of project execution, billing progress and cost and profit estimation. In addition, the Project Management Committee provides quarterly updates to the Board. Major projects, as well as those requiring additional attention, are also discussed at risk management meetings which are held on a quarterly basis, considering amongst others, any mitigation and contingency plans where required.

At times, projects may face challenges of all sorts which may affect the progress of project implementation, e.g. changes in technical designs, unfavourable weather conditions, escalating costs of raw materials, incompetent sub-contractors, etc. In this regard, the Group endeavours to minimise losses which may potentially be incurred as a result of these challenges.

Therefore, moving forward, the Group will place greater preference on total subcontracting of construction projects to reputable subcontractors or forming joint venture or consortium to participate in major projects, in order to enhance delivery efficiency. We have also enhanced our sub-contractor selection process by establishing a more stringent sub-contractor selection requirement on the competency, experience, track records and financial soundness of sub-contractors, and imposing an increased Liquidated Ascertain Damages (LAD) charges and performance bonds against sub-contractors.

Apart from work quality and timeliness of delivery, the Group also views tender pricing as an important factor for the Group to be relevant and competitive in the market. When participating in tenders, the Group, being mindful of the need to expand its order book, strives to balance between making competitive bids and securing reasonable profit margins without compromising on work quality, all with the objective of creating value for shareholders and other stakeholders on a long-term basis.

Against the backdrop of the Government's objective to promote a fair and competitive environment on public projects, the Group prepares itself to remain relevant in the space of public tenders. In this regard, the Group will seek to ensure the robustness of its tender pricing process, which considers inputs from various functions within the Group, such as budgeting and quantity surveying, legal and contract documentation, project management and delivery, etc.

Business Ethics

The Group

Zecon believes that conducting business ethically helps to create a fair and competitive business environment and drives confidence and trust between the business and its stakeholders. The Group is committed to fostering a business culture of integrity and of high ethical standards and has a zero-tolerance approach towards unethical business practices and integrity lapses.

The Board sets the culture for business ethics and conduct, formalised and communicated via the Code of Ethics for Directors, as embedded in the Board Charter, and the Code of Ethics for the Group's employees, provided for in the Employee Handbook. The Code of Ethics is developed based on the principles of transparency, integrity, accountability and social responsibility, addressing amongst others,

conflict of interest situations, abuse of power, insider trading and corruption. The Group also has a no-bribery policy and has communicated such policy in its Employee Handbook.

In view of the amendment to the Malaysian Anti-Corruption Commission Act 2009 (MACC Act 2009) which introduces corporate liability in preventing bribery, the Group's Anti-Bribery and Corruption Policy was adopted by the Board of Directors on 22 May 2020.

Further to the above, in line with Principle II of the adequate procedures introduced following the amendments to the MACC Act 2009, the Group has performed the corruption risk assessment to identify, analyse, assess and prioritise the internal and external corruption risks of the Group, which also forms the basis of the Group's anti-corruption efforts. All of the Group's business covered in the scope of this Statement has been assessed for corruption-related risks.

Furthermore, the Group has a Whistleblowing Policy and whistleblowing mechanism that enables the public as well as the Group's employees to raise any concerns on unethical, unlawful and improper behaviour and conduct. In order to uphold check and balance, the reporting channels established include an alternative, independent channel to the Independent Chairman of the Audit Committee of Zecon. Apart from providing protection to the whistleblower's identity, the mechanism also allows for anonymous reporting.

For the past three (3) years, the Group is not aware of any incidence of corruption and did not receive any whistleblowing case where unethical business practices are concerned.

Environmental Management

Property and construction division

The Group has obtained ISO 14001:2015 certification for its project management of construction services. This provides systematic management of the Group's operation for environmental accountability and minimisation of adverse environmental impact.

In practice, all wastes generated from project sites are either recycled for use or transported to designated disposal sites timely and efficiently to minimise disruption to the daily lives of the community. Besides installing silt traps to minimise site pollution, large solid wastes such as concrete, steel or other building materials that cannot be disposed of in landfills are managed according to waste disposal regulations stipulated by the Environmental Quality (Scheduled Wastes) Regulations 2005. Zecon ensures that different kinds of waste are properly disposed of via licensed contractors.

In addition, effluent generated from construction operations, such as site clearing, cut and fill operations, etc., is also treated before it is allowed to be discharged. Biochemical Oxygen Demand levels, i.e. B.O.D, are regularly monitored to ensure that the effluent discharged does not affect the water quality of waterways or drainage systems. To ensure the reliability and credibility of water quality tests, an independent external party is engaged to perform testing periodically.

Ambient dust is also generated during various phases of construction such as demolition, hacking, excavation, vehicular movement, housekeeping and carpentry works. The Group requires its contractors to monitor the ambient dust in accordance with local environmental pollution control regulations.

Construction sites are commonly prone to water retention spots, especially during rainy season, increasing the possibility of it becoming a mosquito breeding ground and thus a greater risk of dengue outbreak. The Group's construction teams undertake necessary efforts to ensure water retention spots are reduced or cleared at project sites.

There were no fines imposed by authorities, neither have there been complaints received from those residing in the vicinity of development sites, relating to environmental matters in the past three (3) years.

Healthcare concession division

At HPKK UKM, Zecon is mandated through the Contract Agreement to ensure that statutory requirements and patient's safety standards are adhered to, failure of which will result in a penalty imposed in the form of fee deduction by the hospital owner. The requirements, amongst others, which is in relation to environment, includes the following:

- all chemicals used are registered and controlled under DOSH;
- water hardness level;
- algae level;
- legionella level; and
- air change per hour.

Throughout the year 2022, there were little to no deductions imposed to Zecon.

In the operations of HPKK UKM, there will invariably be usage of chemicals. These chemicals were stored in a safe and secured location, and usage of the chemicals were closely monitored and disposed in a responsible manner, according to the guidelines. The chemical disposal from the HPKK UKM site were carried out by an outsource third party vendor endorsed by the Department Of Environment ("DOE").

There were no fines imposed by authorities, neither have there been complaints received from those residing in the vicinity of HPKK UKM site, relating to environmental matters during the year under review.

Building Technology

The leverage of technology in the construction sector poses a myriad of opportunities in various ways including shorter construction time, less involvement of manual labour, reduced waste and better work quality. Technology such as the Industrialised Building System (IBS) have been getting much traction in recent years in both the public and private sectors. Further, the Malaysian Government has also mandated the adoption of IBS in public projects.

The Group has already started to leverage on some form of IBS technologies in some of its projects. However, the adoption of IBS technology is not without challenge. In Sarawak where the Group's projects are largely based, manufacturers and suppliers of IBS materials are much more limited than in Peninsular Malaysia and hence the economic viability of IBS for projects based in Sarawak becomes challenged. In addition to that, the specification and requirements of the project owners will also determine the extent of IBS application in construction.

That said, the Group continues to explore possibilities to enable economically-viable adoption of IBS in its projects. This includes actively looking out for sourcing partners and strategic alliance with other market players. In addition, where possible, the Group invests in the development of IBS knowledge and skills within its workforce, in various aspects including design, manufacturing and project management.

Zecon Berhad and Zecon Medicare Sdn Bhd are registered with Sustainable Energy Development Authority (SEDA) Malaysia as Solar Photovoltaic Investor 2021 (RPVI) under The Net-Energy Metering (NEM) Programme. The RPVI certificates were renewed in January 2023.

Energy Consumption and Emission Management

The Group views the consumption of energy and the emission of greenhouse gases, especially carbon dioxide (CO₂) as one of the key sustainability impacts to manage. The Group has through its Global Sustainability guidelines, committed to the global target of achieving net zero emissions by year 2050, with the objective of reducing the chances and limiting the global warming to 1.5°C.

The total energy consumption of the Group¹ for the past three (3) years are as follows:

	CY2020	CY2021	FY2022
Total consumption	346,793kWh	382,039kWh	434,148kWh
Consumption/no. of staff	7,882kWh/ person	8,305kWh/ person	8,513kWh/ person

The increased in total energy consumption was due to the increased in personnel at the Head Office, arising from the easing of movement restrictions and new projects has yet to commence. Further, the increased in energy consumption per staff has also increased, due to longer operating hours as a result of personnel physically present at the office (hence usage of lights and air-conditioning system) and increased usage of conference for discussion and meeting, including virtual meetings.

The Group has begun its initiative towards net zero emissions, beginning with the healthcare concession division, by retrofitting equipment and system to improve the performance which in return reduces the demand for electricity from the grid, and initiating the capturing of light and heat from the sun and converting it to produce electricity in Solar Photovoltaic (“PV”) Project and prevent pollution up front, which in turns also tackles energy consumption.

There is a potential area of 13,172m² at our HPKK UKM site (i.e. 6,786m² at HPKK UKM’s Main Building and 6,386m² at the elevated carpark) which can be used to capture sun energy, in which the expected energy generation is approximately 3 million kWh per year or 250,000kWh per month, which accounts to approximately 55.61% of the total electricity consumed. With this project, the reduction of CO₂ produced is expected to be up to 154 tonnes per month. This project installation is expected to commence by 2nd half of year 2023.

Water Consumption and Preservation of Water

Apart from energy consumed, the Group also places attention to water usage and conservation of natural resources, in particular water.

The Group has begun its initiative towards reducing water consumption and preserving water, through the harvesting and storing of rainwater for the purpose of usage in its landscaping at HPKK UKM, which also in turns reduces the chances of flood.

The basis of the drainage system design in HPKK UKM is derived from the new "Urban Stormwater Management Manual For Malaysia 2nd Edition". The drainage system and features are designed with "control at source" concept, economic efficiency and for easy maintenance. On-site detention facility is used to reduce the volume of runoff from the project site during storm. Runoff from project site will be channelled into the Onsite Stormwater Detention (“OSD”) storage. The rainwater harvested will be used for landscaping purposes, and the excess will be discharged gradually into the municipal drainage

¹ The energy consumption only covers the Head Quarters and will not include our property and construction division (as the projects are in its final phase, with little consumption of energy) and healthcare concession division [as the management and administration of the building and healthcare operations are controlled and handled by HPKK UKM’s Management. ZMSB’s role in facilities management consumes a negligible amount of energy for its operations].

system over a period of time. The OSD storage tanks with a capacity of 1,034m³ were completed during the construction of HPKK and has been operational since.

Social Impact of Products and Services

Zecon Group's experience and expertise have allowed the Group to contribute to the public and society through the construction of public infrastructure including schools, hospitals, water works and highways.

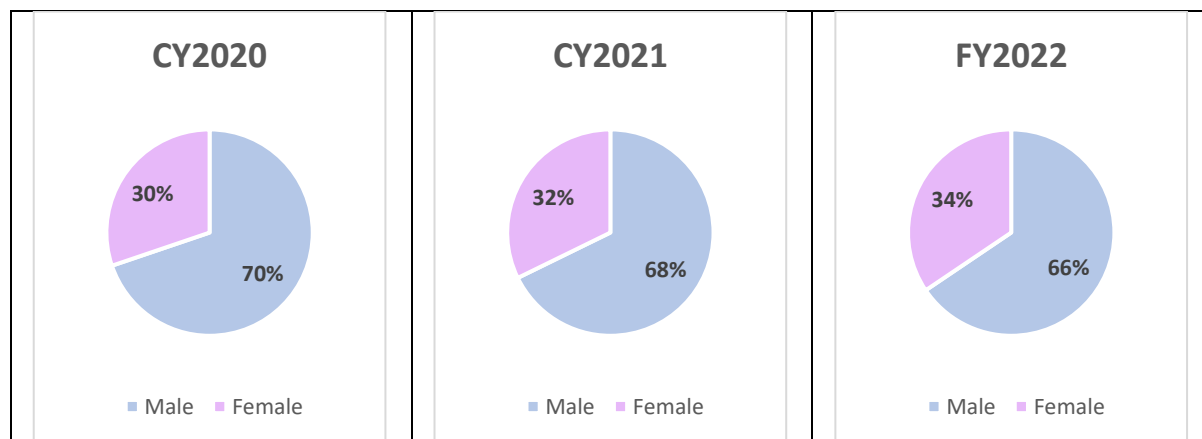
We pride ourselves with our involvement in projects which enables better access and geographical connection including across the two largest states of Malaysia, better access to water and water treatment facilities, education and healthcare.

Zecon aims to maintain itself as a reliable development and construction partner of the Malaysian's public, especially the Sarawakian society, and this will continue to be part of Zecon Group's business strategy that fosters a sustainable business-society relationship driving the nation and the state towards prosperous development. Zecon will continue to improve and enhance itself to prepare to continue its contribution in elevating living standards of the community in Sarawak, as well as in Malaysia.

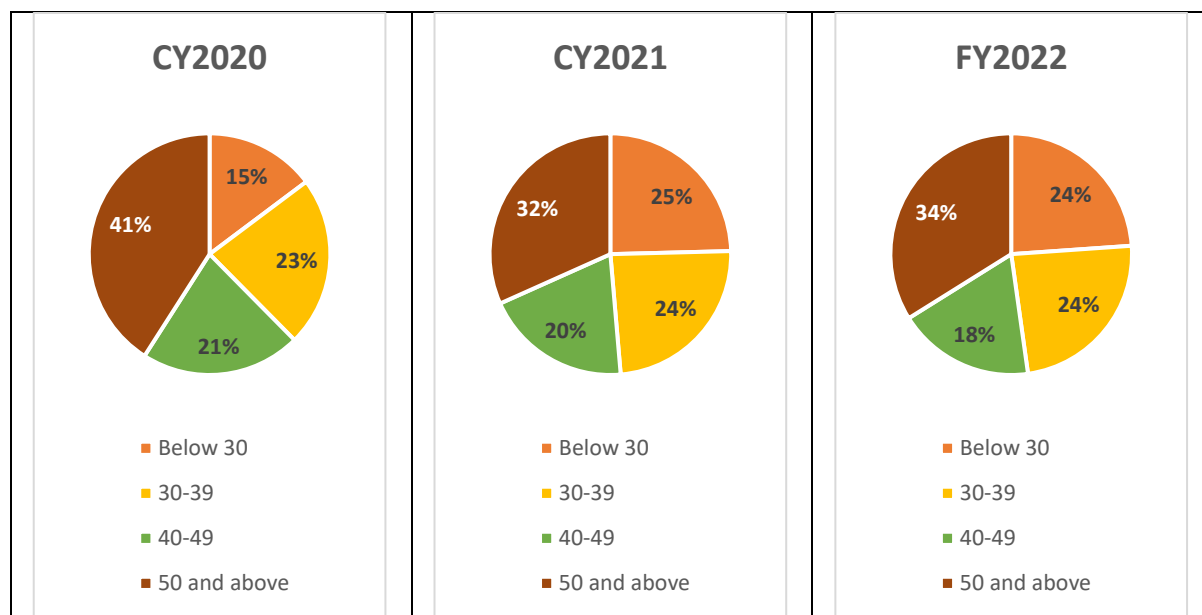
Talent Management and Labour Practices

Zecon Group recognises the significance of our employees' contribution towards the successful running of our business operations and regards them as a vital asset of the company. Our talent pool consists of nearly 170 personnel, of which the demographic by gender and age group for the past three (3) years are as follows:

By gender



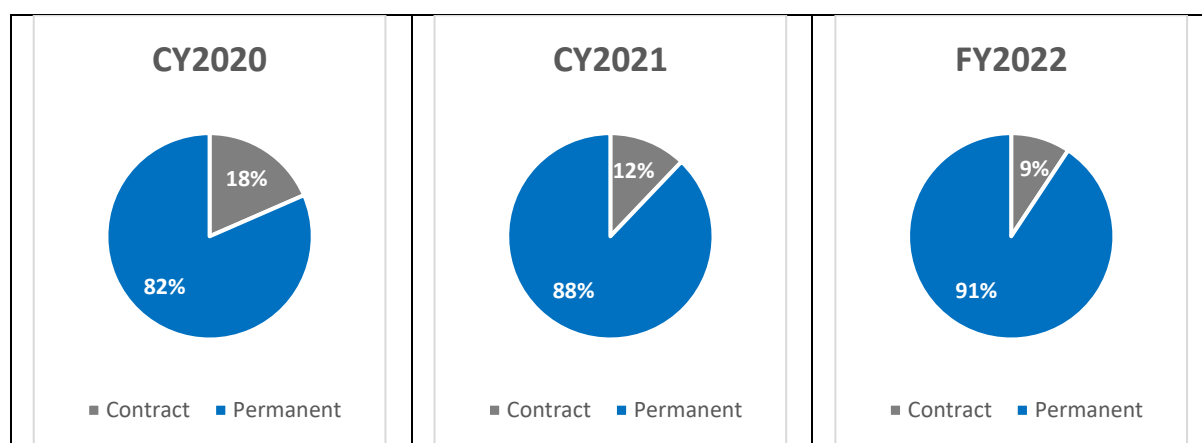
By age group



At Zecon, we promote good labour practices, guided by international labour standards and practices. Over the past three (3) years, the Group is not aware and did not receive any substantiated complaints concerning human rights violations.

Furthermore, we practice meritocracy in our hiring and retention of employees, and do not discriminate any persons in any form, regardless of gender, age, ethnicity, religious beliefs, etc. Despite operating in a male dominant industry, we are trying to continuously improve gender diversity by increasing female representation in our workforce, as evident by the year-on-year increase, from year 2020 to 2022.

Our business operations do rely on contract workers, but the number and ratio of contract workers are in the decrease as our property and construction division’s new projects has yet to commence, summary of which is as follows:



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Similar to every business, employees inevitably will leave the company to further pursue their interest. At Zecon, we will perform every endeavour to retain our employees, especially personnel at key and critical positions. The employee turnover rate at our Group (by business segment) in the past three (3) years are as follows:

Business segment	CY2020	CY2021	FY2022
Construction	22%	8%	9%
Property	-	-	-
Healthcare concessionaire	7%	18%	19%

The turnover for the construction segment is almost similar with CY2021, which represents a huge reduction as compared to CY2020, as staff are anticipating the future prospect and potential activities in the near future. As for the Healthcare concessionaire, the turnover of 18% and 19% respectively for CY2021 and FY2022 was mainly due to completion of the HPKK UKM construction project and thereafter conversion into a facility management project in December 2020, where the skillsets required has changed.

To reward employees and also at the same time to retain them, the Group has offered Employees Share Option Scheme to eligible employees, where the exercise period is on a 5-year basis, with the option for a further 5 years period immediately after the expiry of the first 5 years, at the discretion of the ESOS Committee. The ESOS was offered to eligible employees on 16 August 2021.

To consistently upskill our workforce, we provide training and learnings to our employees, covering both in-house and by external parties. Types of training attended by our employees during the year include those related to safety, construction, laws and regulations, job-function, etc. The number of employees attended training over the past three (3) years are as follows:

Employee category	CY2020	CY2021	FY2022
General Manager	1	0	5
Manager	2	0	11
Executive and Supporting Staff	5	5	159
Total	8	5	175

As the country and economy is in the process of recovery from the COVID-19 pandemic, loosening the Standard Operating Procedures gradually from CY2020 to FY2022, which includes easing the movement restrictions, the Group has also gradually increased the training for staff, as evident by the data above.

ZECON BERHAD

Sustainability Report 2022

To foster a cohesive working environment and strengthen bonds within employees of the Group, we undertake to conduct periodic staff activities, which include festive celebrations, sporting activities, religious activities, etc. throughout the year. Staff activities carried out in year 2022 are as follows:

Period	Activity
Quarter 1	<ul style="list-style-type: none">• Cancer & Mental Health Awareness Program
Quarter 2	<ul style="list-style-type: none">• Tazkirah Ramadhan: Ikhlas Menjamin Keberkatan Hidup• Tazkirah Ramadhan: Matlamat Penurunan Al-Quran• ZMSB Picnic Day• Speaker's Corner Session 1- Topic: Stress Management
Quarter 3	<ul style="list-style-type: none">• Hari Raya Aidiladha Celebration• ZMSB Bowling Game• Hari Raya Haji Celebration• Speaker's Corner Session 2 - Topic: Improve yourself by Understanding the 4 Human Personalities• Hiking• International Friendship Day• Speaker's Corner Session 3: When life gives you lemon, make lemonade. (Changing Adversity into Positivity)• Friendly Match Bowling
Quarter 4	<ul style="list-style-type: none">• EPF Briefing• Tazkirah Maulidur Rasul• Paintball• Christmas Exchange Gift

INTERNAL AUDIT & RISK MANAGEMENT

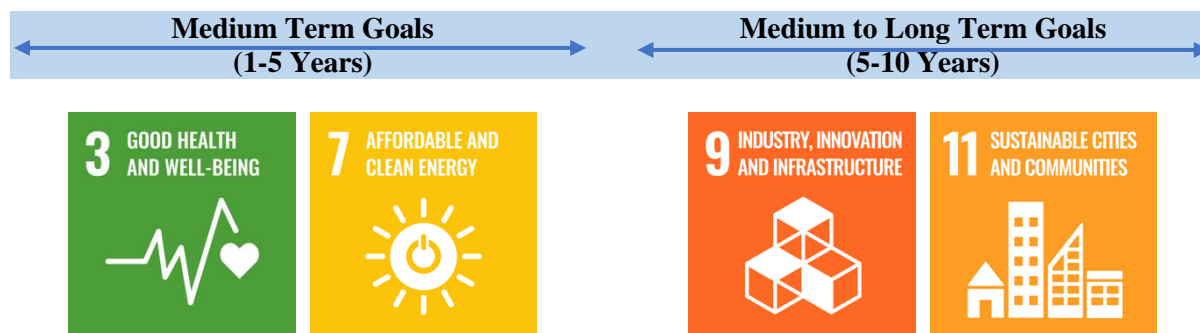
As an integrated element in Zecon Group's business strategy and operations, the Group's internal audit conducts regular audits to ensure the Group's policies and Standard Operating Procedures, as well as relevant law, rules and regulations where Material Sustainability Matters are concerned, are adhered to. Scheduled audits are also conducted periodically by auditors of external certification bodies.

In response to any audit findings subsequent to audit exercises, Risk Management Committee reviews all potential risks, identifies and recommends appropriate remedial actions to rectify control lapses in managing the material risks identified, i.e. Material Sustainability Matters in the context of this Statement.

CONCLUSION AND FUTURE PLANS

Notwithstanding the Material Sustainability Matters disclosed in this Statement, the Group has also established and embarked on a sustainability road map, where we have identified four (4) United Nation’s Sustainable Development Goals (“SDG”) to focus on in the medium and medium-to-long term.

We strive to continue our sustainability journey towards achieving these four (4) SDG as follows:



The focus, method and indicators for our medium and medium-to-long term goals are:

<p>Medium Term (1-5 years)</p>	<p>Good Health and Well-being</p> <ul style="list-style-type: none"> • Focus on employees health and welfare • Improve health coverage • Improve safety at the workplace (against hazardous contamination and pollution) • Promote and raise mental health awareness <p>Affordable and Clean Energy</p> <ul style="list-style-type: none"> • Promote affordable, reliable and modern energy services • Be part of the global effort to increase energy efficiency • Collaborate in renewable energy research and practice
<p>Medium-to-Long Term (5-10 years)</p>	<p>Industry Innovation and Infrastructure</p> <ul style="list-style-type: none"> • Industrial collaboration • Industrial building system • Research and development <p>Sustainable Cities and Communities</p> <ul style="list-style-type: none"> • Promote safe & affordable housing • Reduce the adverse effect of natural disasters • Reduce the environmental effect of cities • Provide access to safe and inclusive green and public spaces

These four (4) goals are best related and in-line with the long-term goal to have a sustainable lifestyle for the people in the organisation and the communities which the Group operates in. We will report in future statements the achievement of our goals above as and when it becomes apparent.